



WASHOE COUNTY

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CM/ACM _____
Finance _____
DA _____
Risk Mgt N/A
HR N/A
Other N/A

STAFF REPORT

BOARD MEETING DATE: June 23, 2015

DATE: June 4, 2015
TO: Board of County Commissioners
FROM: Doreen Ertell, Risk Management Division
328-2660, dertell@washoecounty.us
THROUGH: Joey Orduna Hastings, Assistant County Manager
SUBJECT: Authorize the renewal of the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$213,220 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$482,346, effective July 1, 2015, funding from the Risk Management Fund source. (All Commission Districts)

SUMMARY

We are requesting the Board authorize the renewal of the Excess Workers' Compensation Insurance Policy and the Property Insurance Policy. Both policies are written on an annual term with an effective date of July 1, 2015.

Washoe County Strategic Objective supported by this item: Achieving Long Term Financial Stability.

PREVIOUS ACTION

On June 17, 2014, the Board authorized the renewal of the above referenced policies for a one year term.

BACKGROUND

The County's broker, Wells Fargo Insurance Services of Reno, Nevada, monitors changes in the marketplace and solicits bids from interested and qualified carriers when appropriate.

Excess Workers' Compensation Insurance. Washoe County has been self-insured for workers' compensation since July 1, 1981. Nevada law requires any self-insured employer for workers' compensation to maintain a policy of excess insurance to protect the employer from large or catastrophic losses. The expiring policy has a self-insured retention (deductible) of \$1.5 million for all classes of employment.

There are a limited number of markets who will write excess workers' compensation insurance for public entities with presumptive benefits exposure. These markets indicated they are not in a position to offer competitive terms when compared to the County's current program.

AGENDA ITEM # 13

The incumbent market, New York Marine, has offered to renew the County's Excess Workers' Compensation policy for a premium of \$213,220. This is an increase of 32% over last year's net premium of \$161,025. The increase in premium is primarily due to an increase in payroll exposure and a rate increase. The quote offers to maintain the \$1.5 million retention for all employees, including employees subject to the heart and lung law.

The coverage offered by New York Marine includes several important endorsements and extensions including high limits of aviation coverage, deletion of the late reporting penalty and a limited Communicable Disease Endorsement with a sub-limit of \$50 million. Subject to policy terms, the Communicable Disease endorsement requires just one retention if more than one person contracts a communicable disease.

New York Marine maintains an A.M. Best's financial rating of A IX which means the management is "excellent" and the surplus for paying claims is \$250 million to \$500 million.

Property Insurance. The incumbent market, Public Entity Property Insurance Program (PEPIP), has offered to renew the County's Property policy for a premium of \$482,346. This is a decrease of 16.8% over last year's premium of \$580,042. The decrease in premium is due to a 13.6% decrease in reported property values. The premium rate was also reduced by 4.8% which contributes to the decrease in annual premium.

PEPIP is a property insurance program which has more than 8,700 insureds located in 45 states. The program was started in 1993 and includes cities, schools, universities, airports, seaports, states, districts and hospitals. This program is the largest property placement in the world with approximately \$350 billion in insured values and is administered by Alliant Insurance Services, Inc. PEPIP is designed to provide flexibility for each of the separate entities, allowing them to elect various coverages and deductibles. The placement of this coverage is provided by a combination of layering and quota sharing with assorted Domestic, Bermuda and London insurance companies. These carriers have A.M. Best management ratings of A- or better.

PEPIP is divided into towers which include various other public entities. The County has been placed in a tower with fourteen other members. The insureds in a given tower share a \$1 billion each occurrence limit for the all-risk coverage (i.e. fire). However, the earthquake limit of \$50 million is specifically purchased by and dedicated to Washoe County.

The program provides a broad manuscript form which includes all-risk property coverage, boiler and machinery coverage and terrorism coverage. Limited pollution liability and cyber liability have been included. The program also includes coverage for physical damage to scheduled vehicles both on and off-premises. All buildings over \$5M in replacement value will be appraised once every five years with no additional cost to the County. Claims are paid by Alliant Insurance Services Inc, located in San Francisco.

FISCAL IMPACT

The total cost for the renewal of the aforementioned insurance policies is:

Excess Workers' Compensation:	\$213,220
Property:	<u>\$482,346</u>
Total	\$695,566

Together, this is a net decrease of \$45,501 from our premiums in FY 14/15. Sufficient budget authority for the premium expenditures exists in the approved budget for FY15/16 in cost center 195054—account 710595 and cost center 195053—account 710595.

RECOMMENDATION

It is recommended that the Board of County Commissioners authorize the renewal of the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$213,220 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$482,346, effective July 1, 2015, with funding from the Risk Management Fund.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:

I move to authorize the renewal of the Excess Workers' Compensation Insurance Policy with New York Marine and General Insurance Company for one year at a premium of \$213,220 and the Property Insurance Policy with the Public Entity Property Insurance Program for one year at a premium of \$482,346, effective July 1, 2015, with funding from the Risk Management Fund.